

Date: Mon, 18 Dec 95 10:43:46 PST
From: Brewster Kahle <brewster>
To: leonsis@aol.com
Cc: brewster
Subject: JV

Ted,

Happy vacation!

I have thought about what we talked about last week and talked to a few people. We are psyched. The danger is if it taking too much time and energy. I think this could be done very easily as outlined below.

What I think you said was:

- * Create a separate company
- * Equity: AOL 1/3, Brewster (funder) 1/3, Employees 1/3.
- * AOL employees transferring would get 1 yr of AOL vesting.
- * Gets WAIS server and support obligations.
- * Brewster chairman, but still AOL employee
- * Brewster would talk to potential JVers,
- * Ted would tell Barry Schuler that this is going on.
- * Ted and Brewster to discuss today (Monday)

The counter suggestion would be to give the customers and brand to Fulcrum. The estimate on revenue from this is \$300k. (We saw how successful giving a product to another group was when it went to Navisoft.)

Here is an expansion of your idea, that I think would get good PR (and not screw the visible WAIS customers).

The company would continue the direction of old WAIS Inc except production services:

- * support and maintain the current WAISserver customers
- * concentrate on protocols and licensing deals
- * build up further search/storage/navigation facilities

I believe we would save face AND build a successful company offering Internet stuff to Gov and Fortune 500s. This capability would be helpful to AOL in the future as it grows from its centralized architecture.

Danger area:

Current JV's are taking alot of time and energy. This is not worth it if it takes months. This has to get rid of a problem nicely, easily, and with potential upside.

Therefore I suggest we do it as a license deal rather than a JV. (same ends, but I think could be done in a simple agreement rather than months of corporate setting up):

- * I set up a company with the help of Allen Morgan. (standard structure with 3M shares)
- * Brewster would buy 1M+1 shares using valuation of \$1-3M
- * The license with AOL would be for all right and title for WAIS plus support obligations in return for 1M voting shares of stock. You could sign the license.
- * Those leaving AOL to join would get accelerated 1 year.

* Those that would leave are: Bruce Gilliat and 2 support engineers:
Tom Ajaybi, and Marion Esanu.

* These people would report to Brewster effectively immediately to
help WAIS customers

* Brewster would work 1/2 time for the new company for 6 months.

* After 6 months Brewster would have option to work for the new company
full time. (keeping no options)

* Since this company is partially owned by AOL,
Brewster's AOL non-compete would be cancelled.

* Mike Connors would be brought into loop.

*** If this is not finalized by, say, Jan 20. Lets call it all off.

What this would look like is a license drawn up by Allen Morgan for
WAIS server from AOL to the new WAIS Inc. If I can keep the lawyers
brief, it will be less than 3 pages.

(If I decide to go with the new company, then I would be leaving
several million dollars on the table for one more year of work. I
suggest that if I were up for leaving in that circumstance, then you
would want me to at least work in an AOL JV.)

Are we on track? I am meeting with Mike Connors tomorrow afternoon.
I would like to bring this up then rather than hearing about it over
the net.

-brewster

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